AGRICULTURAL
MU Guide
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Building Your Brand

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Value-added products need a distinct identity — they need a brand. This publication examines what branding is, why it is important, and the necessary steps to brand your product.

What is branding?

Branding is one of the most important factors influencing an item's success or failure in today's marketplace. A brand is the combination of a name, words, symbols or design that identifies the product and its company and differentiates it from the competition.

Businesses use branding in four ways: (1) to market a new product, (2) to protect market position, (3) to broaden product offerings, and (4) to enter new product categories. See Table 1 for a comparison of these four types of branding and a list of considerations that determine which type is appropriate for your situation.

- **New product branding**: creating a new name for a new product in a category completely new to the company. Example: A Taste of the Kingdom — a branded line of value-added products from family farms in Callaway County, Missouri.
- **Flanker branding**: protecting market position by marketing another brand in a category in which the firm already has a presence. Example: HORMEL® chili and its flanker brand, STAGG® chili.
- **Brand line extension**: using the company's brand name in the firm's present product category. Example: PepsiCo's Pepsi and Diet Pepsi.
- **Brand leveraging (franchise extension):** using the existing brand name to enter a new product category. Example: Mr. Coffee™ coffee makers and Mr. Coffee™ coffee.

Table 1. Four types of branding.

Type	Why is it important?	What do you or your product need to succeed?
New product branding	• Differentiates product • Conveys value • Builds brand loyalty • Builds pride	• Willingness to commit time to the process • Ability to provide a consistent product • Differentiating characteristic • Desire to build brand loyalty
Flanker branding	• Attracts customers from different market segments and "brand switchers" • Reduces risk to existing brands if new product fails • Introduces lower-quality brands without diluting company's high-quality brand names	• Ability to significantly change current brand • Credibility of new brand • Little or no impact on existing brands • Ability to compete with other companies' brands • Ability to recover development costs
Brand line extension	• Lowers promotional costs through brand recognition • Expands company shelf space presence • Offers variety to consumers desiring change • Enables greater efficiency in manufacturing and in use of raw materials	• Sufficient level of credible differentiation • Necessary resources available • Combination of extension and original product sales that enhance original sales alone • Ability to recover development costs • Level of existing diversity in the category
Brand leveraging	• Expands company shelf space presence • Lowers promotional costs through brand recognition • Makes possible coordination of product offerings • Enables greater efficiency in manufacturing and in use of raw materials	• Appropriateness of "fit" of new product • Current brand attributes that will carry to new category • Ability to strengthen brand name • Presence of necessary facilities • Ability to recover development costs

Why is it important to develop a brand for your product?

A brand offers instant product recognition and identification. Consumers identify branded products and, as a result of effective advertising, have confidence in product quality. Retailers like branded products because they increase store profitability — *shoppers attracted to branded products spend three to four times more on groceries than do private-label shoppers.*

Branding provides four key benefits to you as the producer of a value-added product:

- **Product differentiation.** A brand provides a clear and definitive reason for customers to buy your product. If this reason does not exist, your product is a commodity and the only measure of value is price. Small, value-added businesses cannot compete on price successfully and need to incorporate some form of differentiation.
- **Perceived value.** Consumers perceive brand-name products as higher quality, more reliable and a better value than nonbranded products. *Generally speaking, the number-one brand in a category can command a 10 percent price premium over the number-two brand, and a 40 percent premium over the store brand.* This price premium is known as a brand tax. Consumers understand that a strong brand can reduce getting stuck with disappointing or faulty products.
- **Brand loyalty.** Brand loyalty is the recurring stream of profit generated by repeat and referral sales of a specific brand. *Repeat sales can be as much as 90 percent less expensive to a company than new customer development.*
- **Pride in the product.** Branded, recognizable products build a sense of pride in those associated with production, promotion, sale and distribution of those products.

New product branding

A brand must be clear, specific, and unique to your product. For example, the Wheaties brand differentiates the cereal from its competition by its association with health and "sports excellence." To achieve the same successes with your products, you need to carry out four main steps to establish an effective brand:

- ***Choose an appropriate name that is easily remembered and specific to the product***. The name should be three words or less — anything longer is difficult for customers to recall. This process may require legal screening to guarantee availability of the name and customer input to assess attractiveness and appropriateness of the name.
- ***Develop a slogan***. The selected slogan needs to be two to three words, catchy, and easily remembered. To generate slogan ideas, you must stay focused on the buyer. Why should they buy the product? What will they like about the brand? How does competition compare? The slogan should take into account answers to these questions.
- ***Create an appropriate symbol or logo***. It can be as simple as a geometric shape or as elaborate as a silhouette of a person or object.
- ***Use the name, slogan and symbol on every piece of correspondence related to the product***. This includes e-mail, invoices, letterhead, business cards, advertisements and promotions. This system will eliminate inefficiencies in creative and production fees and extend the branding process throughout everything you do.

The greatest challenge in developing and building a brand is creating just the right name, slogan and symbol for the product. It will take a great deal of time and consideration. A thorough thought process and feedback from others will help to get past this obstacle.

It often is difficult to achieve initial customer recognition of a new product, regardless of branding. However, branded items are more recognizable and memorable. Effective advertising before and after the sale is key to overcoming this obstacle. Advertising and promotion before the sale are essential to obtain first purchases and follow-up advertisements after the sale will promote customer satisfaction and repeat purchases.

Flanker branding

A flanker brand is a new brand introduced into the market by a company that already has an established brand in the same product category. *The new brand is designed to compete in the category without damaging the existing item's market share by targeting a different group of consumers.* This strategy, also called fighter branding or multibranding, is used to achieve a larger total market share than one product could garner alone. Companies with multiple brands in a single product category generally have the following types of products in their portfolios:

- A premium brand that offers high quality at a higher price.
- One or more "value" brands offering a slightly lower quality or a different set of benefits for a lower price.

For example, General Mills markets both Gold Medal and Robin Hood brand flours. Gold Medal serves as a premium product and commands a premium price from consumers who value quality. However, Robin Hood offers a lower-priced product with a slightly lower level of quality for those who are influenced more heavily by the price of products within a category.

Developing flanker brands does present challenges. Introducing a new brand is costly. Creating another independent brand requires name research and substantial advertising expenditures to create name recognition and preference for the new brand.

Brand line extension

A company introduces a brand line extension by using an established product's brand name to launch a new, slightly different item in the same product category. For example, Diet Coke™ is a line extension of the parent brand Coke™. While the products have distinct differences, they are in the same product category and the extension (Diet Coke™) is dependent initially on customer recognition of the brand name Coke™.

More than half of all new products introduced each year are brand line extensions. New flavors, package sizes, nutritional content or products containing special additives are included in this definition.

Brand line extension presents two potential threats. First, if the new product fails to satisfy, consumers' attitudes toward other products carrying the same brand name may be damaged.

Second, there is potential for intrafirm competition between the parent product and the line extension, or between two or more line extensions. The key to avoiding intrafirm competition is to differentiate between products. Although similar, the products must be different enough that they will not compete with one another as much as they will rival other companies' brands.

Successful brand extensions are not entirely new products; they simply are new shoots on the main plant. To maximize the power of the overall brand, line extensions have to make sense, be part of a long-term plan and reflect the core images and message of the brand.

Brand leveraging

A brand leveraging strategy uses the power of an existing brand name to support a company's entry into a new, but related, product category. For example, the manufacturers of Mr. Coffee™ coffee makers used the strength of the brand name to launch Mr. Coffee™ brand coffee. While coffee machines and coffee beans are in different product categories, there is strong enough correlation between the two items that the Mr. Coffee™ brand name has a powerful impact on consumers of both categories.

Brand leveraging strategies communicate valuable product information to consumers about new products. Consumers have pre-existing knowledge of a brand's level of quality and other attributes and consistently apply this knowledge to new products carrying the familiar brand.

Brand leveraging presents several challenges. Leveraging should be limited to entering only those categories that are directly related to the original product to avoid brand dilution. Potential exists for damaging the reputation of the parent product if the new product fails. Also, manufacturing and inventory costs may be higher as a result of product diversification.

A brand leveraging strategy can be successful and profitable if it is implemented correctly and provides the new product with the right image.

Building brand loyalty

Brand loyalty is a consumer's preference to buy a single brand name in a product class. It occurs because the consumer's perception is that the brand offers the right product features, images, or level of quality at the right price. After satisfaction with an initial purchase, consumers tend to form purchasing habits and continue to purchase the same brand because habits are safe and familiar. Brand loyalists have the following mindset:

- "I am committed to this brand."
- "I would be willing to pay a higher price for this brand over other brands."
- "I would recommend this brand to others."

Why is brand loyalty important?

Brand loyalty is important for three main reasons:

- **Higher sales volume.** *The average U.S. company loses half of its customers every five years, equating to a 13 percent annual loss of customers.* This statistic illustrates the challenges companies face when trying to grow. Achieving even a 1 percent annual growth requires increasing sales to remaining and new customers by 14 percent. Reducing customer loss can dramatically improve growth and brand loyalty, which leads to greater and continual sales since the same brand is repeatedly purchased.
- **Premium pricing ability.** Studies show that as brand loyalty increases, consumers are less sensitive to changes in a brand's price. They are willing to pay more for the product because they perceive unique value in the brand that no other alternative can provide. Additionally, brand loyalists buy less frequently on cents-off deals — these promotions only subsidize planned purchases.
- **Customer retention.** Brand loyalists are willing to search for their favorite brand and are less sensitive to competitive promotions. The result is lower costs for advertising, marketing and distribution. *It costs four to six times as much to attract a new customer as it does to retain an old one.*

Creating and maintaining brand loyalty

Favorable brand attitudes create brand loyalty — consumers must like the product in order to develop loyalty to it. To turn occasional purchasers into brand loyalists, habits must be reinforced. Consumers must be reminded of the value of their purchase and encouraged to continue purchasing the product in the future.

To encourage repeat purchases, advertisement *before and after* the sale is critical. In addition to creating awareness and promoting initial purchases, advertising shapes and reinforces consumer attitudes so they mature into beliefs, which need to be reinforced until they develop into loyalty. Remember, it is easier to reinforce behaviors than to change them, and the sale is just the beginning of an opportunity to turn the purchaser into a loyalist.

A few more points to keep in mind:

- **Develop an unbeatable product.** If you want to keep customers, make sure they get what they want from your product.
- **Give customers an incentive to repeat-purchase.** Examples of such incentives are a chance to win a prize, a gift in exchange for a certain number of proofs of purchase, and in-pack discount coupons.
- **Stand behind your product.** If customers don't trust the product, they won't purchase it again.
- **Know your trophy customers and treat them best of all.** Remember the rule that 80 percent of sales will come from the top 20 percent of your customers.
- **Make it easier to buy your brand than competing brands.** Availability and simplicity are keys in today's high-speed world. Customers appreciate convenience more than ever.
- **Go to your customers.** Bring the product to the customers when possible.
- **Become a customer service champion.** Seek to serve the customers and they will repeat-purchase . . . again and again.

This publication is one in a series on *Managing for Profit in the Value-Added Business*. This series was developed in collaboration with the staff of the Missouri Value Added Development Center.

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